

## **Stakeholder Workgroup Questions**

### **Glossary of Terms**

**Mass-Based plan:** (CPP Final Rule: VIII.C. 2. b.) annually measures the reduction in the tons of CO<sub>2</sub> emitted from affected EGUs, and cannot exceed an EPA calculated cap. CO<sub>2</sub> emitting power plants would be required to surrender CO<sub>2</sub> allowances for the emitted pounds, in order to operate. The state would allocate allowances (i.e. the authority to emit 1 short ton of CO<sub>2</sub>) to parties. Actions to reduce emissions are accounted for directly by reduced stack CO<sub>2</sub> emissions from affected Electric Generating Units.

**New Sources:** generally refers to new natural gas generation units covered under the New Source Performance Standards, Section 111(b) rule, which is the federal program that establishes standards for new, modified, and reconstructed sources. The concern with new sources is when shifts in generation to units not covered by the Carbon Rule (i.e. under Section 111 (d)) result in increased emissions, relative to what would have happened had generation shifted consistent with the best system of emission reductions (BSER).

**Carbon Emission Allowance:** an annual budget of a certain number of allowances that states receive “budget” which matches the total emissions limit for each year of the program. States have many options for distributing or “allocating” the allowances power plants will need to cover their CO<sub>2</sub> emissions. Allowances can be given to specific parties, set aside for a specific purpose, auctioned, or some combination of these options. Allowance allocation determines how that value and CPP costs are distributed among electricity producers, consumers, and other stakeholders.

**Grandfathering Allocation:** describes an allocation of allowances to the EGU, based upon either historical generation or emission during a baseline period. The allocation share is static meaning it does not change on the basis of developments that occur after the baseline period.

**Output-based allocation:** describes an allocation approach, which in contrast to grandfathering, incorporates into the allocation, changes made during the program, and therefore can affect ongoing behavior. Updating approaches could be based upon a performance metric for example.

**Allowance auctions:** sales which distribute purchased allowances to the purchasing parties. Auction revenue can be used to achieve the program administrator’s goals, such as compensating electricity consumers or investing in energy efficiency to reduce program costs.

**Allocation on credit for early action:** the EPA match of state-issued emission reduction credits and allowances for renewable energy (RE) or energy efficiency (EE) projects which are constructed/implemented following the submission of a final state plan to the EPA (or after Sept 8, 2018) which generate MWh (RE) or reduce end use energy demand (EE) during 2020 and/or 2021. See: [Early Action Credit Pool Proposal for Stakeholder Feedback](#).

**Rate-Based plan:** (CPP Final Rule: VIII.C 2.a.) - annually measures the reduction in pounds CO<sub>2</sub> emitted per net megawatt-hour (MWh) of electricity generated from affected EGUs. An affected EGU is a steam generating unit, integrated gasification combined cycle (IGCC), or stationary combustion turbine that meets certain criteria. Compliance is measured by meeting an adjusted CO<sub>2</sub>/MWh rate for affected units. The statewide rate is adjusted by including an ERC in the denominator of the calculation. CO<sub>2</sub> emitting power plants must acquire enough ERCs to add to the denominator of their rate to achieve compliance.

**Subcategories Emission Rate:** a nationally uniform emission rate standard for all fossil steam and natural gas combined cycle generating units which EPA has determined is a reasonable and achievable emission rate for compliance in 2030.

- 1,305 lbs CO<sub>2</sub>/MWh for existing fossil fuel-fired electric steam generating units (generally, coal fired power plants)
- 771 lbs CO<sub>2</sub>/MWh for existing natural gas combined cycle units (NGCC)

**State Average:** is the average for each state, of the sub category-specific fossil steam and NGCC rates, weighted by the state's baseline generation levels for each source category. These blended or average state rates reflect the total emission rate from likely affected units in the state if they operated at baseline generation levels while meeting the category-specific rates. Compliance is determined by average emissions from the affected units.

**Trading:** affected EGUs in one state can trade with other affected EGUs in any other state implementing similar approaches (e.g., rate state with other rate states or mass state with other mass states) as long as those states meet certain "trading ready" minimum requirements, such as an EPA-approved or administered tracking system, and the state performance standard reflects the emission performance rates in the guidelines.

**Trading Ready:** refers to credits and allowances generated in individual states that share common features that allow them to be traded between states without the need for formal agreements between the individual states.

**Emission Rate Credits (ERCs):** represents one MWh of energy saved or generated which has zero associated CO<sub>2</sub> emissions.